

# **BANK OF MONTREAL**

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## **ANNUAL REPORT 2007**

Annual Report  
Filed on 01/28/2008 – Period: 10/31/2007



# 190th Annual Report 2007



# Who We Are

Founded in 1817 as Bank of Montreal, BMO Financial Group is today a highly diversified North American financial services provider. Through our four operating groups – Personal and Commercial Banking Canada, Personal and Commercial Banking U.S., Private Client Group and BMO Capital Markets – we serve a broad range of personal, commercial, corporate and institutional customers.

## Key Facts

- \$367 billion in total assets as of October 31, 2007
- 35,827 employees
- TSX and NYSE: BMO

## Personal and Commercial Banking



**Personal and Commercial Banking Canada (P&C Canada)** serves over seven million customers. Working in partnership with other BMO businesses, we offer a full range of products and services. These include solutions for everyday banking, **financing, investing, credit card and insurance** needs, as well as a full suite of integrated commercial and capital market products and financial advisory services. P&C Canada's extensive delivery network encompasses almost 1,000 BMO Bank of Montreal **traditional and in-store branches**, telephone banking, online banking at bmo.com, mortgage specialists and our network of almost 2,000 automated banking machines. Our personal and commercial banking business is among the five largest in Canada.

**Personal and Commercial Banking U.S. (P&C U.S.)** serves personal and business customers in select markets of the U.S. Midwest with a full range of products and services delivered through a community banking model that emphasizes local knowledge and commitment. Harris' <sup>14,15</sup> extensive distribution network of 232 convenient, attractive branches, online banking at harrisbank.com, nearly 600 automated banking machines and an award-winning call centre support our strong focus on customer service.

P&C Canada contributed:  
57% of total operating net income, or \$1,250 million

P&C U.S. contributed:  
5% of total operating net income, or \$114 million

## Private Client Group



**Private Client Group (PCG)** brings together all of our wealth management businesses. PCG serves a full range of client segments, from mainstream to ultra-high net worth, as well as select institutional market segments. Working together with our partners throughout BMO and Harris, we offer clients a broad range of wealth management products and services, including full-service and online brokerage, private banking and investment products.

PCG contributed:  
5% of total operating net income, or \$408 million

## BMO Capital Markets



**BMO Capital Markets (BMO CM)** combines all of our businesses serving a broad range of corporate, institutional and government clients in Canada and the United States. We also serve clients in the United Kingdom, Europe, Australia/Asia and South America. BMO Capital Markets offers complete financial solutions, **drawing upon our expertise in areas** including equity and debt underwriting, corporate lending and project financing, **mergers and acquisitions advisory services**, merchant banking, securitization, treasury and market risk management, foreign exchange, derivatives, debt and equity research, and institutional sales and trading.

BMO CM contributed:  
19% of total operating net income, or \$425 million

## 2007 Highlights

- Introduced a new **AIR MILES<sup>SM</sup>** program that rewards personal customers for purchases made on debit cards, as well as existing rewards on credit cards. They also receive additional reward miles when they do more of their business with BMO.
- Further improved customer loyalty through refining our customer experience and providing excellent customer service.
- **Emphasized same store revenue growth** while maintaining a disciplined focus on managing expenses.
- **Delivered strong referral volumes** in the United States, increasing referrals to and from Harris Private Bank by nearly 80%. PCG Canada delivered consistently strong referrals, continuing to improve on the high levels attained in prior years.
- **Improvement in cross-selling performance** over the prior year in our efforts to grow U.S. revenues.
- **Fully integrated the bcpbank Canada branches**, enabling former bcpbank Canada customers as well as BMO customers wider access to products and services. **this has increased our presence in a multi-cultural market in a high-growth area.**
- **Continued to build our branch network** primarily through acquisition, closing on our acquisition of First National Bank & Trust in Indiana and announcing the acquisitions of Ozaukee Bank and Merchants and Manufacturers Bancorporation, Inc. in Wisconsin.
- **BMO Harris Private Banking was** recognized in *Euromoney Magazine's* Global Survey of private banking services as the Best Local Private Bank in Canada and Harris Private Bank was rated as one of the top five local private banks in the United States.
- **U.S. Investment and Corporate Banking** revenue growth fuelled by continued hiring of 13 sector and product specialists for key roles in the United States.
- **Leveraged our Canadian market leadership** to expand our presence in the United States and Europe.
- **Ranked as the top Equity Research Group** in Canada for the 27th consecutive year in the Brendan Wood International Survey of Institutional Investors.

See page 44.

See page 46.

See page 49.

See page 52.

## At-A-Glance

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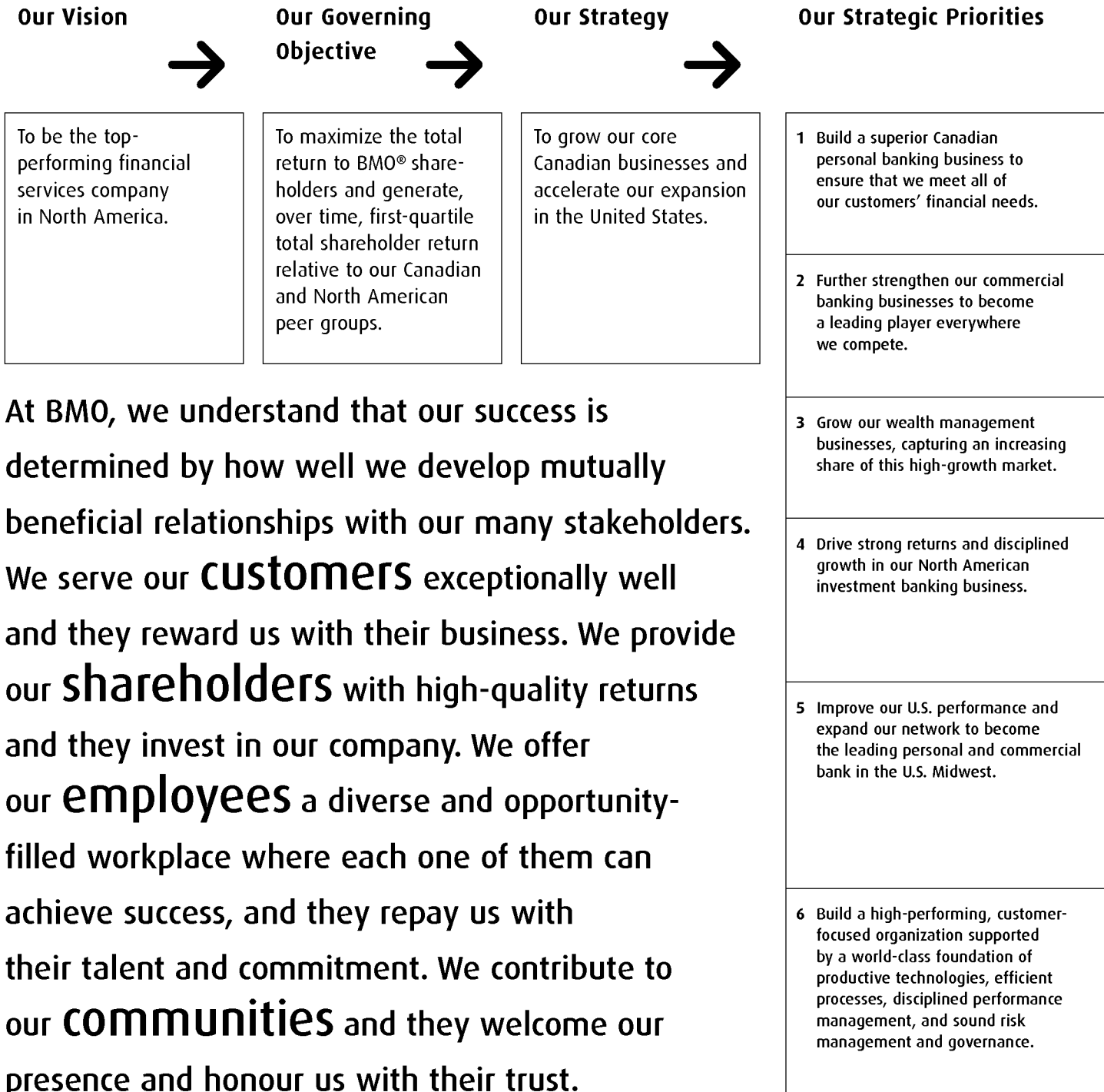
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# Our Objectives



# Our 2007 Results

## 2007 Initiatives and Accomplishments

- P&C Canada reported record net income of \$1,250 million, up 9.4% due to branch-driven sales strategy, systems and process improvements and high-impact product offers.
- We introduced redesigned integrated branch and individual scorecards with a focus on customer loyalty. We also reallocated resources to customer-facing positions.
- In Canada, our customer-focused operating model led to commercial revenue growth of 6.1% and a 63 basis point increase in our market share of business loans of \$5 million and below, which increased to 19.2%.
- In the United States, we opened loan production offices in four new markets, enhanced by our Indiana and pending Wisconsin acquisitions.
- Private Client Group reported record net income of \$408 million, up 15%.
- Continued investments in our sales forces and businesses, including our recent agreement, which is subject to regulatory approval, to purchase Pyrford International plc, are positioning us for future growth.
- In BMO Capital Markets, excluding the \$651 million after-tax impact of commodities losses and charges related to deterioration in capital markets, earnings grew by 25% to \$1,076 million, driven by trading revenues, merger and acquisition fees and equity underwriting.
- Increased sector focus and key hires in the U.S. market helped deepen our client relationships, increasing revenue per sector coverage officer by 18%.
- P&C U.S. net income increased 3% to US\$105 million. Excluding acquisition integration expenses, P&C U.S. earnings increased in each quarter of 2007 relative to the preceding quarter.
- In P&C U.S., we completed the purchase and integration of First National Bank & Trust and entered into agreements to purchase Ozaukee Bank and Merchants and Manufacturers Bancorporation, Inc., subject to approval of U.S. regulators and Ozaukee Bank shareholders, increasing our presence in the Indiana market and expanding into Wisconsin.
- Across the enterprise, we initiated efforts to improve productivity and shift resources to the front line; captured approximately \$140 million in run rate cost reductions; and improved our cash productivity ratio, excluding significant items, by 150 basis points.
- Increased our focus on improving our customer experience across the enterprise, increasing front-line capacity and accessibility and improving response times in our retail businesses, shifting to more planning-focused conversations in PCG and creating integrated solutions for our capital market clients.

## Financial Targets

We achieved one of our 2007 annual targets<sup>1</sup>. Excluding the impact of significant items<sup>2</sup>, all annual financial targets would have been achieved, reflecting the strength of our businesses.

### Earnings per Share (EPS) Growth (see page 32)

**2007 Target:** 5% to 10% EPS growth from a base of \$5.11

**2007 Performance:** EPS of \$4.38, down 14.3% from \$5.11 a year ago. Excluding significant items<sup>2</sup>, EPS of \$5.66, up 10.8%

**2008 Target<sup>3</sup>:**

**10% to 15%** EPS growth from a base of \$5.24

### Return on Equity (ROE) (see page 33)

**2007 Target:** ROE of 18% to 20%

**2007 Performance:** ROE of 15.3%. Excluding significant items, ROE of 19.8%

**2008 Target:** ROE of

**18% to 20%**

### Provision for Credit Losses (see page 39)

**2007 Target:** Specific provision for credit losses of \$400 million or less

**2007 Performance:** Specific provision for credit losses of \$303 million

**2008 Target:** Specific provision for credit losses of

**\$475 million** or less

### Tier 1 Capital Ratio<sup>4</sup> (see page 57)

**2007 Performance:** Tier 1 Capital Ratio of 9.51%

**2008 Target:** Tier 1 Capital Ratio of at least

**8.0%**

### Cash Productivity Ratio/Operating Leverage (see page 40)

**2007 Target:** Improve cash productivity ratio by 100 to 150 basis points

**2007 Performance:** Cash productivity ratio deteriorated 473 basis points. Excluding significant items, cash productivity ratio improved 150 basis points

**2008 Operating Leverage<sup>5</sup> Target:** Achieve operating leverage

of at least **2%**

- (1) Our 2007 targets and performance measured on a basis consistent with our targets exclude the impact of changes in the general allowance for credit losses and restructuring charges.
- (2) Results in 2007 excluding significant items further adjusts results to exclude the impact of commodities losses and charges related to deterioration in capital markets. Significant items are itemized on page 32 of Management's Discussion and Analysis.
- (3) The base for our 2008 EPS and Operating Leverage targets exclude the impact of changes in the general allowance, restructuring charges and commodities losses.
- (4) Our policy was to maintain a Tier 1 Capital Ratio of at least 8.0%. It was not a financial target in 2007.
- (5) Operating leverage is the difference between the revenue and cash-based expense growth rates.

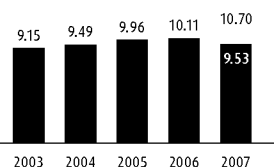
The data above are non-GAAP measures. Please see the Non-GAAP Measures section on page 34 of Management's Discussion and Analysis.



# Numbers That Matter

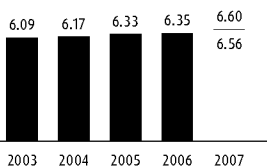
## Financial Performance

Excluding significant items,  
5-year compound annual growth rate (CAGR)



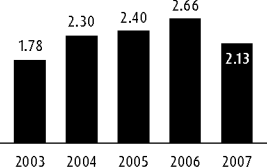
**Total Revenue (\$ billions) (a)**  
See page 36.

Excluding significant items, 5-year CAGR



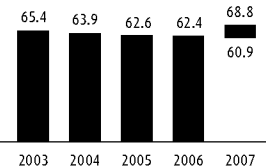
**Non-Interest Expense (\$ billions)**  
See page 40.

Excluding significant items, 5-year CAGR

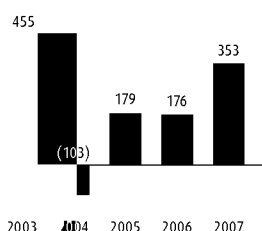


**Net Income (\$ billions)**  
See page 36.

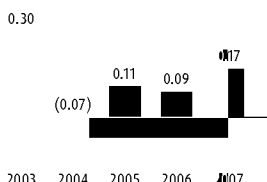
Improvement since 2002



**Cash Productivity Ratio (%) (a)**  
(100 basis points = 1%)  
See page 40.

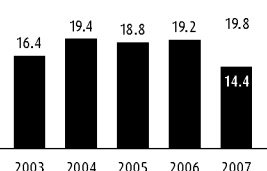


**Provision for (Recovery of) Credit Losses (\$ millions) (c)**  
See page 39.

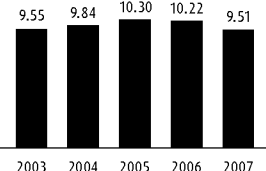


**Provision for Credit Losses as a % of Average Net Loans and Acceptances (c)** See page 39.

Excluding significant items,  
improvement since 2002



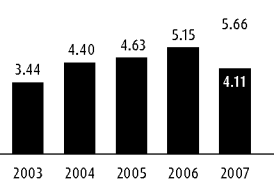
**Return on Equity (%)**  
See page 33.



**Tier 1 Capital Ratio (%)**  
See page 58.

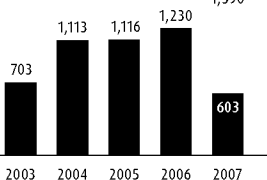
## Shareholder Return

Excluding significant items, 5-year CAGR

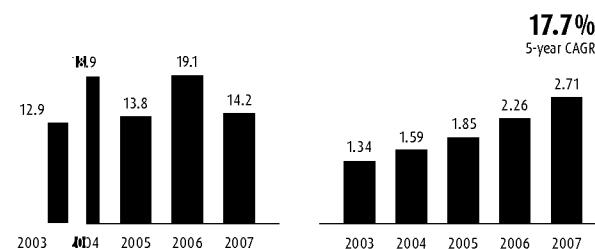


**Earnings per Share (\$) (b)**  
See page 37.

Excluding significant items, 5-year CAGR



**Net Economic Profit (\$ millions)**  
See page 35.



**Five-Year Average Annual Total Shareholder Return (%)**  
See page 78.

**Dividends Declared (\$ per share)**  
See page 58.

## Customer Service Measures

Operating groups change from 2006				
Corporate and T&O change from 2006				
34.0	33.6	33.8	34.9	35.8
25.0	25.0	25.3	25.8	27.0

9.0	8.6	8.5	9.2	8.8
2003	2004	2005	2006	2007

**Full-Time Employees (thousands)**  
See page 80.

Canada				
Non-Canada				
1,142	1,174	1,180	1,182	1,224
172	186	212	219	247
970	988	968	963	977

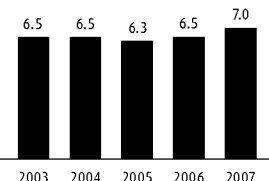
2003	2004	2005	2006	2007
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**Branches**  
See page 80.

## Product/Service Excellence

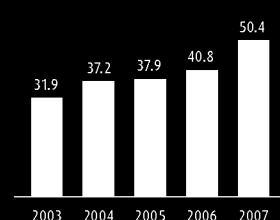
- BMO's Customer Connect received the Gold Award in the For Profit Customer Centricity category at the Canadian Information Productivity Awards (CIPA).
- BMO Harris Private Banking selected Best Local Private Bank in Canada and recognized as one of the top five local private banks in the United States.
- BMO Mutual Funds awarded The Dalbar Mutual Fund Service Award for best overall service.
- Guardian Group Asian Growth and Income Fund received a Lipper Award for excellence in delivering consistently strong risk-adjusted performance.
- BMO Capital Markets ranked as top Equity Research Group in Canada for the 27th consecutive year in the Brendan Wood International Survey of Institutional Investors.

## Employee Measures



**Average Training Days per Employee (2002-2005 averages based on employee headcounts, 2006-2007 averages based on full-time equivalent)**

## Our Communities



**Community Support (\$ millions)**  
(Includes corporate donations, sponsorships and events supporting communities, charities and not-for-profit organizations in Canada and the United States) See page 21.

## Legend

■ Reported results

Excluding 2007 significant items, which consist of commodities losses, charges related to deterioration in capital markets, restructuring charges and changes in the general allowance for credit losses, where applicable

(a) All revenues on this page are reported on a taxable equivalent basis (tax).  
(b) All earnings per share (EPS) measures in this report refer to diluted EPS, unless otherwise specified.

(c) Provision for credit losses includes changes in the general allowance. Results stated on a basis that excludes commodities losses, charges related to deterioration in the capital markets environment, increases in the general allowance for credit losses and/or restructuring charges are non-GAAP measures. Please see the Non-GAAP Measures section in Management's Discussion and Analysis on page 34.



**David A. Galloway**  
Chairman

## Change, Challenge and Great Promise

It has been a year of change, challenge and great promise at BMO.

### A Time of Transition

This has been a year of transition, as Bill Downe assumed the role of President and CEO in March. Since then, he has brought his own hands-on style and unrelenting focus on improving BMO's performance. His formidable experience and knowledge of all of our businesses, combined with his desire to move forward at an accelerated pace, have instilled our entire enterprise with a renewed sense of momentum and, indeed, excitement. It is a good time to be part of BMO.

### A Time of Challenge

We have also witnessed Bill's coolness under pressure as he successfully faced significant challenges during his inaugural year. BMO's management team dealt openly and extensively with the commodities losses, initiating internal and external reviews to understand the factors that contributed to the losses. Your Board has been similarly active on this matter. We held a number of special meetings to review the situation and are overseeing a complete review of risk management systems and procedures, as well as attitudes to risk, across the enterprise. I am confident that we are doing all in our power to prevent such losses from happening again.

Economic trials also coloured 2007. In the United States, concern over the subprime mortgage market dampened demand for home financing and resulted in tighter lending practices and increased volatility in credit markets around the world. The full implications of the current economic conditions remain an unfolding tale. The fact that our leaders are managing well during this delicate time provides us with the confidence that BMO is well-positioned to weather ongoing squalls.

### A Time of Promise

While it is important to be frank about challenges, we must take time to celebrate progress. There was much of that in 2007. Thanks to a number of initiatives, including the renewal of senior management, launch of new products and a more concerted focus on customer service, our Personal and Commercial Banking in Canada business increased significantly. Our Private Client Group also experienced solid gains. And excluding our commodities losses, and the fourth quarter capital markets environment charges, BMO Capital Markets performed well.

We have more to do; particularly, in our Personal and Commercial Banking business in the United States.

I know that inspiring our employees to grow all of our businesses profitably in an ethical and sustainable manner is at the top of Bill's priorities. Based on his performance to date, I speak on behalf of the Board when I say that we have every confidence that BMO's new leader and his team will continue to overcome challenges, meet our strategic priorities and build shareholder value by achieving the great promise that is BMO.

A handwritten signature in dark ink, reading "David A. Galloway". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

**David A. Galloway**  
Chairman

## Delivering value for our customers

**In this, my first letter to the shareholders of BMO Financial Group, my objective is to speak to you in plain terms about our recent performance and the higher expectations we have for the future.**



**William A. Downe**  
President and Chief Executive Officer

As the Chairman said in his message on the previous page, it has been a year of transition. The fact of a management transition itself creates the expectation of change and in our company we started the year with a great deal of change underway. In truth, our history has been defined by the periods of greatest change, when we have seized the opportunity to do things in a different way and challenged conventional practices.

We take great pride in our history and the fact that Bank of Montreal can properly claim to be the first Canadian bank. When this company was established, on November 3, 1817, it was destined to play an important role in the development of the North American economy. We provided capital to new businesses across the continent, financed the building of the nation's early infrastructure, the railways, the canals and for many years served as Canada's central bank. In March we are holding our Annual General Meeting in Quebec City, to recognize that it will celebrate its 400th anniversary in 2008.

Today we are a bank with diversified operations across North America and tightly defined, but important, client businesses in Europe and Asia. With 36,000 talented, committed employees and market capitalization in excess of \$30 billion we have earned a reputation as a consistent performer over a long period of time – 190 years in fact. We see a future in which our success is not constrained by resources or opportunity.

Looking back at the past year, we were confronted by events that tested and confirmed the resilience of BMO and the people who work here. Upon recognizing significant losses in our natural gas trading business, our attention was clearly on reduction of risk in the portfolio and minimizing the cost of that reduction. We identified areas where decision making was not at the standard expected at our company. The factors that contributed to this situation have been explicitly revisited; we completed a thorough review of controls and risk practices in the business





## Management Committee

- 1 William A. Downe**, President and Chief Executive Officer, BMO Financial Group, is responsible for providing leadership and vision for BMO Financial Group, and is accountable to shareholders through the Board of Directors for defining, communicating and implementing strategic and operational goals that will maximize shareholder value. The President and CEO has responsibility for our enterprise-wide performance and financial results, including P & L, Balance Sheet and Shareholder Value metrics.
- 2 Yvan Bourdeau**, Chief Executive Officer and Head of Investment Banking Group, BMO Capital Markets, is responsible for all of BMO Financial Group's businesses serving corporate, institutional and government clients in North America and around the world.
- 3 Ellen Costello**, Chief Executive Officer, Harris Bankcorp, Inc., is responsible for our U.S. personal and commercial banking business, driving profitable business growth, both organically and through acquisition.
- 4 Joan Dea**, Executive Vice-President and Head of Strategic Management and Corporate Marketing, BMO Financial Group, is responsible for enterprise-wide and group strategy development and management, and corporate marketing with a strong focus on strengthening our customer brand and building a performance culture.
- 5 Barry Gilmour**, Group Head, Technology and Operations, BMO Financial Group, is responsible for managing, maintaining and providing governance related to information technology, operations services, real estate and sourcing for BMO Financial Group.
- 6 Sandra Hanington**, Executive Vice-President, Customer Strategies and Marketing, Personal and Commercial Banking Canada, is accountable for the development and implementation of customer strategies to achieve a differentiated position for BMO Bank of Montreal in the Canadian market.
- 7 Maurice Hudon**, Senior Executive Vice-President, Personal and Commercial Banking Canada, is accountable for operational risk management, long-term development initiatives and the cards and retail payments, insurance and broker services lines of business.
- 8 Karen Maidment**, Chief Financial and Administrative Officer, BMO Financial Group,\* is responsible for BMO Financial Group's financial strategy, financial reporting and planning, taxation, treasury, investor relations, legal and compliance, corporate communications, economics and enterprise-wide risk and portfolio management.
- 9 Dean Manjuris**, Head of Full Service Brokerage Line of Business and President and Director, Private Client Division, BMO Nesbitt Burns, is responsible for the strategic direction of the Private Client Division within our wealth management business.
- 10 Robert McGlashan**, Executive Vice-President and Chief Risk Officer, Enterprise Risk and Portfolio Management, BMO Financial Group, is responsible for enterprise-wide risk and portfolio management at BMO Financial Group.
- 11 Tom Milroy**, Co-President, BMO Capital Markets, shares responsibility for all of BMO Financial Group's dealings with corporate, institutional and government clients, encompassing investment and corporate banking, as well as all treasury and trading operations.
- 12 Gilles Ouellette**, President and Chief Executive Officer, Private Client Group, is responsible for BMO Financial Group's North American wealth management businesses. He is also deputy chair, BMO Nesbitt Burns.
- 13 Graham Parsons**, Executive Vice-President, Global Private Banking and End-to-End Strategic Initiatives, BMO Financial Group, is responsible for the strategic direction of BMO Financial Group's trust and estate, customized banking, investment management, family office and philanthropic advisory services, which are delivered through 50 offices in North America.
- 14 Rose Patten**, Senior Executive Vice-President, Head of Human Resources and Senior Leadership Advisor, BMO Financial Group, is responsible for BMO Financial Group's enterprise-wide human resources functions and strategies. This includes four strategic portfolios: talent management and diversity, performance alignment and compensation, operational management and governance, and the Institute for Learning.
- 15 Frank Techar**, President and Chief Executive Officer, Personal and Commercial Banking Canada, oversees the strategic direction for delivery of our banking services through BMO Bank of Montreal to more than seven million customers across Canada.
- 16 Eric Tripp**, Co-President, BMO Capital Markets, shares responsibility for all of BMO Financial Group's dealings with corporate, institutional and government clients, encompassing all treasury and trading operations, as well as investment and corporate banking.

\*As of October 26, 2007, Thomas E. Flynn, Executive Vice-President, Finance and Treasurer, was appointed Acting Chief Financial Officer, BMO Financial Group.

and management oversight has been strengthened. I made the commitment earlier this year that this was a one-time, one-location event, and this is a commitment we intend to keep.

In the last two quarters we have seen, at the same time, highly unsettled debt markets and a global revaluation of financial assets. While this was triggered by the issues in the U.S. subprime mortgage market, it brought attention to a broader mis-pricing of financial risk. Our exposure to subprime is indirect and very limited, but all markets have been affected and will likely exhibit continuing uncertainty about price and liquidity going into the next year.

Against this backdrop, our confidence in the future is confirmed by the strength of our balance sheet and the demonstrated capacity of the core operating businesses to grow revenue and net income. In BMO Capital Markets, where the difficult issues of the year were centred, the impact was cushioned by better performance in the issuing client business, investment and corporate banking. We continue to focus on a strong North American base of mid-market clients where our expertise in M&A, debt and equity, lending and operating services can combine in a stable high return on equity business. The institutional trading business, where much of the market risk activity is centred, remains critical to our clients' execution needs but will follow a strategy to reduce future volatility from the levels of the past 12 months.

**“...our history has been defined by the periods of greatest change, when we have seized the opportunity to do things in a different way and challenged conventional practices.”**

We are expecting Personal and Commercial Banking and our wealth management businesses in Canada and the United States to generate increased levels of growth at attractive rates of return. Following a period of sustained reinvestment in people and facilities, we are committed to faster growth in our customer base, in loans and deposits and in invested assets under management. In Canada, we have been building new branches, upgrading existing branches, and improving our customer access to bank machines, telephone banking and online banking and investing. In the United States, we added 30 branches to our base of 202 and announced the further acquisition of 40 branches, which when completed will represent a 35% expansion since the beginning of fiscal 2007.

But the most important element in the pursuit of growth is our relationship with our customers. We hear them telling us, in so many ways, that managing their finances is often too complex and they want our help in making better decisions. We are no longer asking what are the products and services that we might sell to customers, we are asking what it is that our customers want and what will we do to help them make better financial decisions. How can we help them buy their first home, save for the college education of their children, support or assist aging parents, prepare for retirement – on their terms.

In every area of BMO we are examining the impact of our actions and our decisions on our customers. It is central to our priorities and it is showing up across all of our businesses. The introduction of AIR MILES loyalty recognition for debit card users this spring rewards clients who have a primary relationship with us, where we truly are in a position to help them make the right choices. Shifting our resources to expand the mortgage specialist sales force in the Bank brings us closer to our customers and away from the mortgage broker channel where margins are poor and it is hard to manage the customer experience. Having everyone in our company see themselves as working for the customer – whether they sit on the front line, in the back office, or in a critical corporate function – generates enthusiasm and commitment in our bankers, in all of our employees. When I read this Annual Report, it confirms for me their determination and passion for our customers.

**“In every area of BMO we are examining the impact of our actions and our decisions on our customers. It is central to our priorities and it is showing up across all of our businesses.”**

I have spent many working days this year at the front line, meeting with customers from every line of business, participating in round tables with branch managers and the leaders of individual lines of business. In every conversation I have the opportunity to hear what the customer is saying; when they are delighted with our service and we can expand on those wins, or where we have not met their expectations (or our own) and can do better.

The creation of value for our shareholders flows directly from the value we deliver to our customers. We know that the best way to do that is to bring the strength of our entire company to our customers, to help them to make the choices that are best for them. Every time.

A handwritten signature in black ink, appearing to read 'William A. Downe', with a long horizontal flourish extending to the right.

**William A. Downe**  
President and Chief Executive Officer

**At BMO, our commitment to transparency and accountability begins at the top. In the following Q&A, BMO Financial Group President and CEO Bill Downe takes the opportunity to answer questions that matter the most to our shareholders.**

**Q Why should investors choose BMO?**

**A** Our balance sheet shows the value of the diversity of our business mix from an operating standpoint. But from my vantage point, and the vantage point of our customers, it is the combination of product and service that creates real value. We have completely refocused on customers. In every business, we are making decisions much faster than before. This allows us to enter the market in a way that, I believe, challenges the category. It is how we are strengthening our Canadian franchise in all three business groups and continuing our U.S. expansion. When we make decisions in individual businesses, it is the customers' experience that will always be the deciding factor.

**Q What is BMO doing to differentiate itself in the highly competitive Canadian retail banking market?**

**A** Something we work at every day is to see banking and investing from our customers' vantage point rather than our own. This way, we can work at taking away the complexity that comes with managing financial affairs. If customers come away with a feeling that we are the financial services company that makes things clearer and behaves like we are standing in their shoes, respecting their time, then we have accomplished something. This is how we are different.

**Q Where do you see your opportunities in the United States?**

**A** In the Midwest, our goal remains to become the leading personal and commercial bank. We're taking advantage of opportunities to grow organically. For instance, we're leveraging our strong community banking network to grow our commercial, capital markets and private client banking businesses. We're also continuing to seek out more opportunities to grow through acquisition. We have expanded into both Indiana and Wisconsin and have a strong base in Illinois. We are going to continue to add branches and keep administrative costs flat.

**Q Has your appetite for risk changed as a result of a more challenging economic climate and tighter credit?**

**A** The definitive answer is "no." BMO has long pursued a disciplined, consistent and prudent approach to credit risk management. This means our lending criteria remain consistent whether the economy is growing or slowing. It's an approach that delivers better and more predictable returns for our shareholders. And peace of mind for our customers, who know they can count on BMO to meet their own unique and individual needs through the ups and downs of the economic cycle. Risk controls, on the other hand, have advanced and we are trying to make every investment we make in risk systems and processes one that not only manages risk but moves us ahead in other ways.

**Q What satisfied you most about the year and what disappointed you most?**

**A** It is a great source of satisfaction that, in spite of this year's challenges which were clearly disappointing, we've proven our resilience and managed the performance of our core businesses like never before. And this shows in our operating results. Executing against our stated strategies is job one for our entire leadership team. To do that, we need to be thinking about our customers all the time.

**Q How has BMO's strategy changed under your leadership?**

**A** Our strategic direction has not changed. We continue to develop our core Canadian businesses and accelerate our expansion in the United States. What has changed is our focus. We are far more visible in the market with our offers. We are focused on performance, customers, and doing what needs to be done. We used to ask ourselves: What product or service can we create for our customers to purchase? Now we ask ourselves: What is it our customers want and how can we make that happen – on their terms. Our leaders, myself included, are spending a great deal more time with our customers. It is amazing what you learn from customers when you take the time to listen.

# Demonstrating the fundamental strength and diversity of our business

Net income of \$2.1 billion was affected by commodities losses and, in the fourth quarter, the difficult capital markets environment. With a return on equity of 14.4%, our results demonstrated the fundamental strength and diversity of our businesses. Excluding significant items<sup>1</sup>, BMO produced net income of \$2.9 billion and a 19.8% return on equity.

## Financial Results

BMO Financial Group's net income for 2007 was \$2,131 million, with a return on equity of 14.4%, despite the impact of four significant items: commodities losses, charges related to the difficult capital markets environment, restructuring costs and an increase in the general allowance for credit losses.

Excluding these items, our net income was \$2,918 million, an increase of \$278 million or 10.5% over 2006, representing a return on equity of 19.8% and an improvement in our cash productivity ratio of 150 basis points to 60.9% in 2007. We were able to build solid momentum in most of our businesses by focusing on our customers and delivering on our priorities. The businesses performed well, which should pay off as market conditions improve.

**\$2,131 million**

Net Income

**14.4%**

Return on Equity

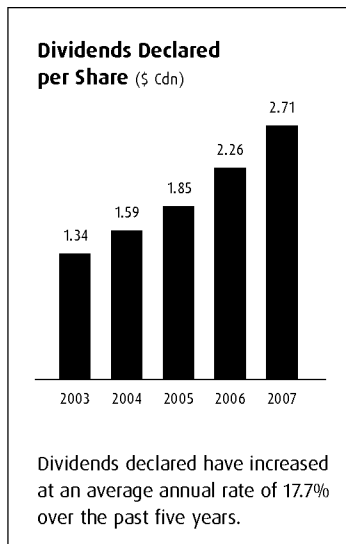
## Operating Groups

In 2007, our Personal and Commercial Banking Canada (P&C Canada) and Private Client Group (PCG) both set new net income records. P&C Canada is now fundamentally stronger and better positioned, a reflection of our renewed commitment to customers that we will make it easier for them to do business with us. This strength is reflected in net income, which increased to \$1,250 million in 2007, an increase of 9%, while we continued to invest in the businesses. PCG, a consistent performer once again in 2007, achieved outstanding results with net income of \$408 million, an increase of 15% over 2006. P&C U.S. enjoyed a solid year, achieving net income of US\$105 million, including acquisition integration expenses. Net income excluding these costs was better in each successive quarter in 2007, a substantial accomplishment in a difficult operating environment. The financial performance of BMO Capital Markets saw a significant decline to net income of \$425 million due to the impact of commodities losses and the capital markets

(1) Results stated on a basis that excludes commodities losses, charges related to deterioration in the capital markets environment, changes in the general allowance for credit losses and/or restructuring charges are non-GAAP measures. Please see the Non-GAAP Measures section in Management's Discussion and Analysis on page 34.

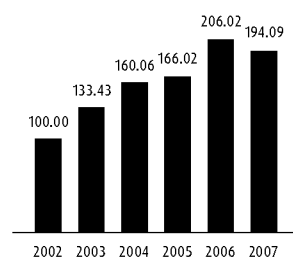
## Dividends and Total Return

BMO's total dividends declared of \$2.71 per common share in 2007 increased 20% from 2006 and represents a Canadian industry-leading payout ratio of 47%, excluding the impact of 2007 significant items, which is within our target 45% to 55% payout range. By increasing our dividends declared for 15 consecutive years, BMO has demonstrated our commitment to balancing returns to shareholders while maintaining a strong capital base that supports ongoing investments in growing our businesses.



As shown on the accompanying graph, over the past five years, BMO's total return to common shareholders has reached \$94.09 for every \$100 invested in 2002.

**\$100 Invested**



environment. Excluding these items, net income rose to \$1,076 million, an increase of 25% with favourable results in a number of our capital markets businesses, including strong activity in mergers and acquisitions, equity underwriting and lending fees and commissions.

## Foreign Exchange

Net income in 2007 was minimally impacted by the significant Canadian and U.S. foreign exchange rate fluctuations, reduced by \$2 million in 2007, compared to a \$24 million reduction in 2006. The minimal impact in 2007 was in part due to the hedging transactions we enter into at the beginning of each quarter.

## Capital

We ended the year with a strong Tier 1 Capital Ratio of 9.51%, which remained comfortably ahead of our policy of at least 8%. This strength in capital provides BMO with the financial flexibility to invest in our businesses as opportunities arise.

## Summary

The financial results in 2007 demonstrated the strength, diversity and continued momentum of BMO's businesses. We continued to deliver consistent returns, with a reported return on equity above 13% for the 18th consecutive year, the only bank in our North American peer group to achieve this, and we continue to deliver to shareholders through a Canadian industry-leading dividend payout ratio. We enter 2008 with significant momentum in our businesses, providing us with confidence in achieving our targets.

By focusing on profitable and sustainable growth, we deliver value to our customers, create opportunities for our employees and generate greater rewards to our shareholders. To achieve our goals, we are investing in the highest-growth and highest-return businesses and opportunities. Growing our business means helping our customers grow their businesses and their personal wealth.

BMO Mosaik  
MasterCard for small  
business accounts

40%

This year, BMO Mosaik® MasterCard®<sup>2</sup> increased the number of new personal and small business accounts by 28% and 40%, respectively. Coupled with strong customer retention, we've increased our active account growth to the highest level in over a decade.



Harris expansion  
in the U.S. Midwest

In 2007, we acquired First National Bank & Trust in Indiana and announced our intent to purchase Merchants and Manufacturers Bancorporation, Inc. and Ozaukee Bank in Wisconsin. Three years ago we had 168 branches, all in Illinois. We will soon have 272 branches across three states, closing in on our current goal of 350–400 branches.

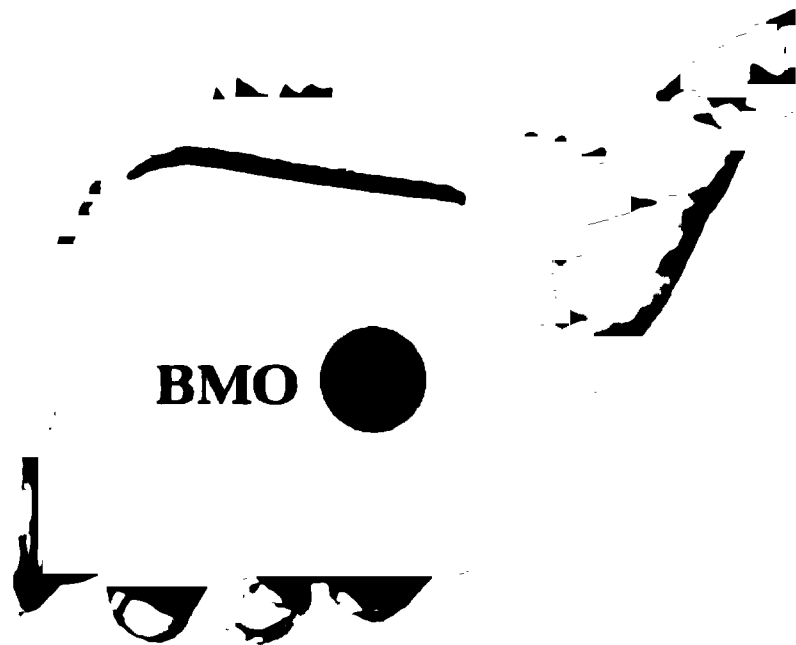
**“Our goal is to help every client reach their financial potential. When they grow, we grow.”**

Derral Moriyama, Senior Vice-President, Commercial, Greater Vancouver District

**owth**

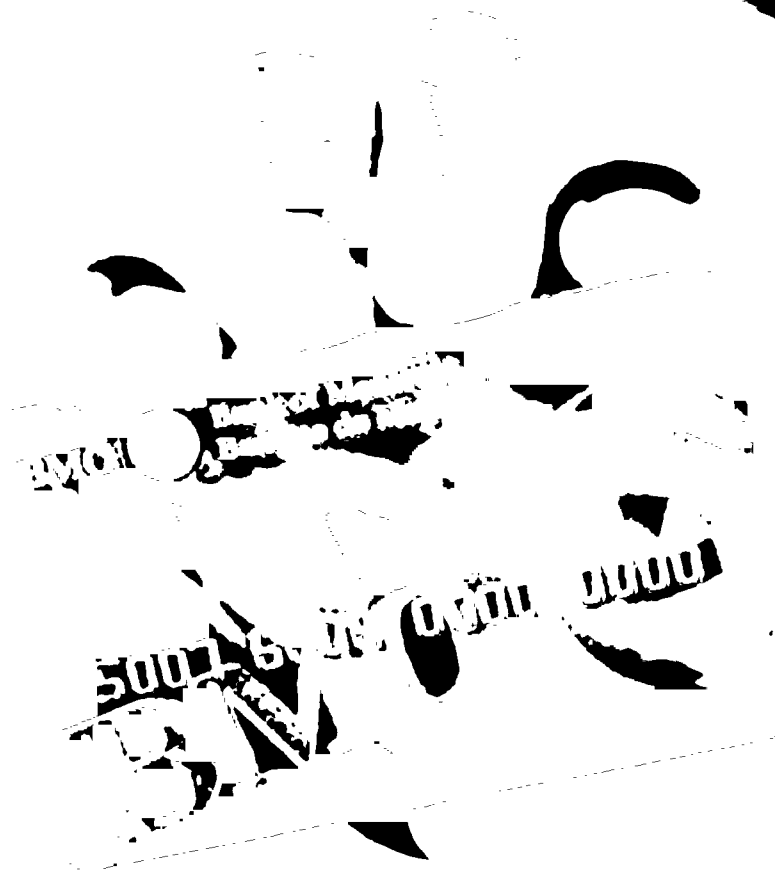
**\$41.5** billion of completed mergers and acquisitions

This year, at BMO Capital Markets, we participated in 599 corporate and government debt and equity transactions that raised \$250 billion. We advised on 76 completed mergers and acquisitions in North America totalling \$41.5 billion. We also received our first M&A mandate in China, acting as sole financial advisor to Aluminum Corporation of China, the country's largest diversified metals and mining company, on its acquisition of Vancouver-based Peru Copper Inc. Helping our clients achieve their growth ambitions wherever they are located is our goal.





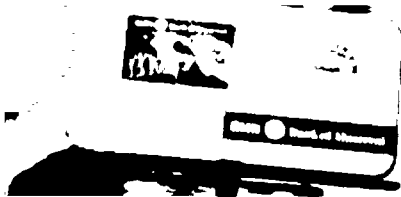
Our 36,000 employees are focused on creating a high-quality banking and investing experience. We're simplifying our processes and investing in technology to make it easier and faster for customers to do business with us. And we're giving our customers the easy-to-understand information, informed advice and the right products they need to make the right decisions about their money – and their financial futures.



Craig Christie,  
Personal and Commercial Banking Canada

**“We’re using customer insights to really understand the type of banking and investing experience our customers want.”**

# customer



We value our customers and are rewarding both new and existing customers for doing business with us. Recently we introduced an exciting new way for our personal customers to collect AIR MILES®<sup>1</sup> reward miles on purchases made with their debit cards. BMO is now leading the industry in Canada by rewarding customers with reward miles for purchases made on debit cards, as well as existing rewards on credit cards. Customers also receive additional reward miles when they do more of their business with us. Since the launch of the program, we have 20% more customers set up to earn AIR MILES reward miles on their debit cards.



This year, we created three new commercial districts led by senior, experienced bankers in Toronto, Vancouver and Montreal – a tangible sign of our commitment. We offer our customers, from small businesses to medium-sized enterprises and mid-market banking clients, a one-stop shop for all their financial needs, including banking expertise and advice, and a great line-up of products and services to assist with banking, managing cash flow, investment and financing. BMO Harris Private Banking expertise is also part of the offer, as are banking services for their employees. We continue to rank second in market share for business loans under \$5 million, clearly demonstrating our focus.



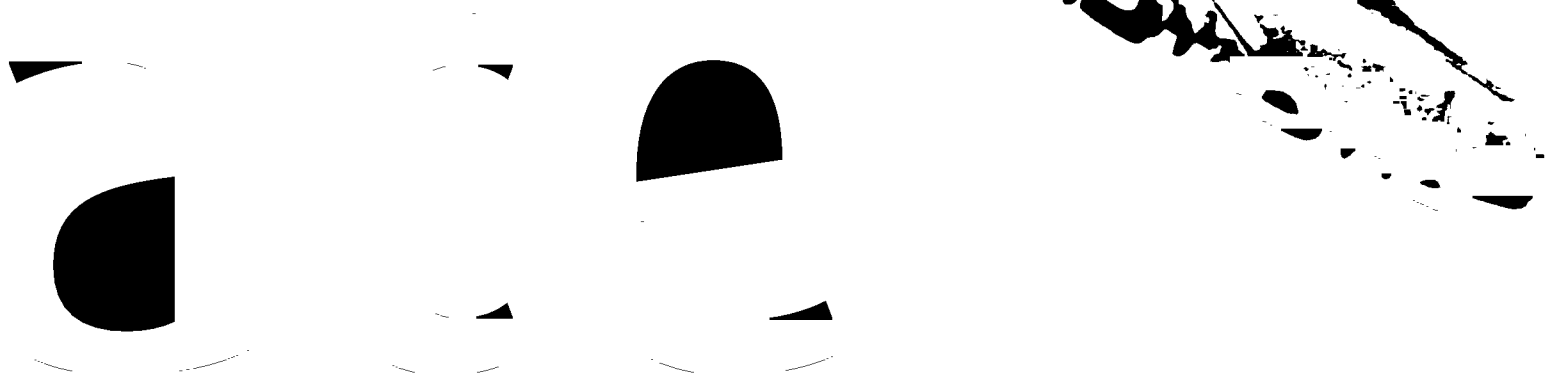
Helping our clients invest for their futures is one of the many ways we focus on their success and provide them with financial solutions that meet their personal preferences. From BMO Harris Private Banking, which offers an unparalleled banking and investing experience to high net worth clients, to our focus on the “new” retirement to help Boomers plan for all aspects of retirement, to our award-winning equity research, we are there for our customers at every stage in their financial planning and investing.

We're shortening the time it takes to make decisions, answer our customers' questions and get things done. That means less red tape, simpler processes and shorter wait times. It means more of our people with the right skill sets and greater decision-making abilities, building relationships with the customers and communities they serve. This is how we're picking up the pace.



Suzy Brown, Investment Advisor, BMO Nesbitt Burns

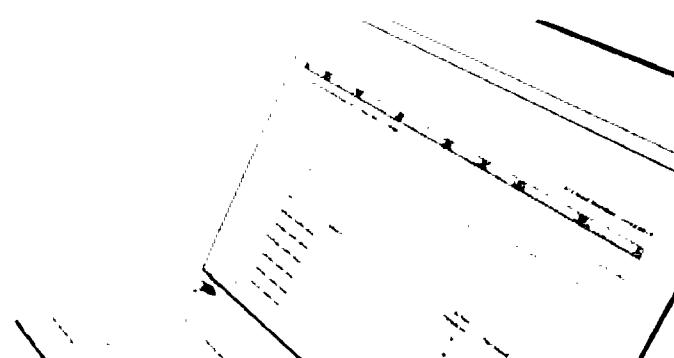
**"Being responsive is more than answering questions and giving choices. We help customers make sense of the choices and respond quickly."**



BMO InvestorLine® is top-ranked because it's responsive to clients' direct investing needs. This year we streamlined our online application process to allow clients to open trading accounts more quickly and help reduce approval wait times. Currently, 80% of online applicants receive swift approval and immediate access to their accounts. We also introduced MyLink™ in 2007, making us the first online brokerage in Canada to offer a service that sends personalized messages directly to individual investors. This industry-leading secure online service gives our clients access to relevant and timely information specific to their investment holdings, enabling them to make better investing decisions.

We have added 55 new mortgage specialists this year. And we are planning to hire another 80 next year. It's all part of our strategy of shifting more of our resources to the front line to improve customer service, be responsive and faster in getting back to our customers.

Our customers told us that they want answers faster. And we acted. For example, we improved our Direct Promotions application process to get our Mosaik® MasterCard® credit card into customers' hands much faster – 30% faster. For Canadian customers who apply for a loan or mortgage online or by telephone, we shortened the wait time for a decision by 88%. For qualified Harris mortgage customers, approval waiting times were cut in half.



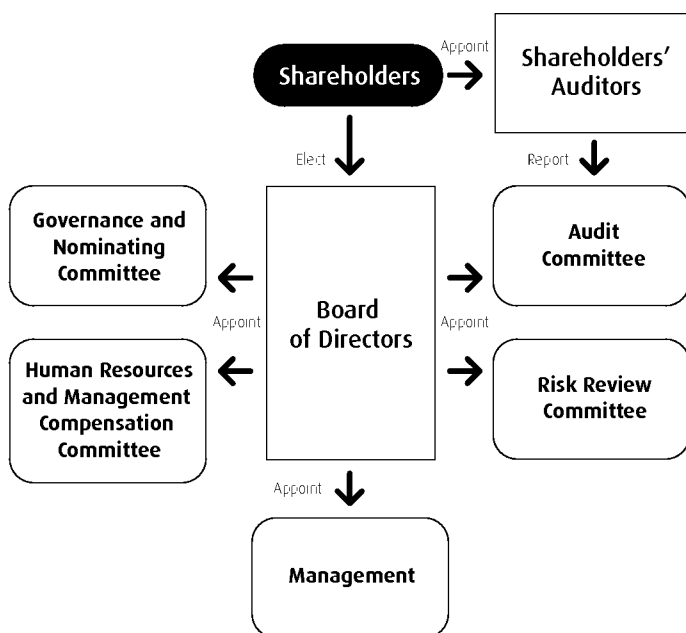
BMO InvestorLine introduced MyLink, a service that sends personalized messages directly to individual investors.

# Committed to Sound Corporate Governance

BMO has long been committed to, and recognized as a leader in, sound corporate governance. Today, we remain focused on maintaining our place at the forefront. In practice, this means that every day we seek to earn the trust of all our stakeholders, including our shareholders, customers, employees and communities. We do so by conducting our business ethically and according to the principles of honesty, transparency and accountability.

BMO's Board of Directors sets the standard of good governance for the entire enterprise. We believe that having all BMO directors be independent, with the exception of BMO's President and CEO, helps the Board operate autonomously and ensures that we are accountable to all our stakeholders. Our independent Chairman ensures that the Board operates independently of management and that directors have access to an independent leader. Further, the Board seeks to represent the interests of all our stakeholders by nominating individuals with a broad array of skills and backgrounds for election to the Board.

Here is an overview of BMO's corporate governance structure:



## An Active Year

The Board's leadership role was particularly evident in fiscal 2007. It was a year that saw a number of complicated and challenging issues arise, including losses in our commodities business, unsettled asset-backed commercial paper markets and economic concerns related to the troubled subprime mortgage market in the United States. The Board held 10 meetings in fiscal 2007, in addition to those in its normal schedule, to provide advice and oversight on various issues. As well, it is overseeing a complete review of risk management systems and procedures, as well as attitudes to risk, across the enterprise.

## Responsibility Framework

The Board's *Approval/Oversight Guidelines* serve as the backbone of our corporate governance program and provide management and directors with a clear road map of their respective responsibilities. These guidelines, which are updated annually, detail clearly those matters requiring Board and committee approval, advice or review.

The Board also has adopted *FirstPrinciples*, our comprehensive code of business conduct and ethics, which provides directors, officers and employees with a framework for the ethical conduct and decision-making integral to their work. The Audit Committee has also adopted whistleblower procedures that allow officers and employees who believe a violation of *FirstPrinciples* has occurred to report this violation on a confidential and anonymous basis to BMO's Ombudsman. The Chair of the Audit Committee is notified of all concerns relating to accounting, internal accounting controls or auditing matters and determines the nature of any necessary investigation to be completed and the action taken at the conclusion of the investigation.

## Focus on Disclosure

Disclosure is an essential component of effective corporate governance. At BMO, we place a high value on our stakeholders being able to understand our operations, goals and values as well as our financial performance. Our Board encourages, and management actively seeks, ways to provide more information, clarity and insight to our stakeholders on an ongoing basis.

## We place a high value on our stakeholders being able to understand our operations, goals and values as well as our financial performance.

A hallmark of our public disclosure is our financial performance scorecard in our Annual Report (see pages 24–26), which has made us a pioneer in financial disclosure. The scorecard is a report on and comparison of 11 important financial measures, including shareholder return, return on equity, earnings per share growth, productivity and credit performance. We disclose our performance on these measures relative to the performance of Canada's major banks and our North American peer group. We believe that assessing performance relative to our competition puts our results in an appropriate context for our stakeholders and provides further clarity. BMO has disclosed these comparatives every year since we started the practice in 1992.

## Building on Our Commitment

Over the past number of years, BMO has adopted many leading governance practices, including:

- discontinuing option grants to non-employee directors in 2003;
- having independent directors meet regularly without management present;
- enhancing Board and director evaluation procedures by including written peer reviews and one-on-one interviews with the Chairman; and
- setting minimum share ownership guidelines for directors at six times their annual retainer to strengthen the alignment of their interests with those of our shareholders.

## 2007 Awards

### *Recognized for Corporate Governance*

*The Globe and Mail's Report on Business* 2007 annual review of corporate governance practices ranked BMO fifth overall among 270 Canadian reporting issuers.

### *Protecting Privacy*

BMO Financial Group ranked second in the 2007 *Canada's Most Trusted Companies for Privacy* study. Conducted by the Ponemon Institute, the study measures public perception of the privacy and security practices of both Canadian and global companies. This is the second consecutive year that BMO ranked in the top five and ahead of all other financial institutions included in the study.

### *Serving Our Investors*

IR Global Rankings once again recognized BMO as having one of the top five investor relations web sites in North America. Along with this award, BMO was recognized with two additional awards: top five in North America for best financial disclosure procedures and best online annual report in North America.

### *Recognized for Disclosure*

For the second year in a row, BMO Financial Group received an Award of Excellence for Financial Reporting from the Canadian Institute of Chartered Accountants (CICA). The award is presented to the best annual report among the 80 submissions judged, regardless of industry sector.

## For More Information

For more details regarding corporate governance at BMO, please see the following documents, which are posted on our web site at [www.bmo.com](http://www.bmo.com).

### *Notice of Annual Meeting of Shareholders*

Shareholders are invited to attend our annual meeting on March 4, 2008 in Quebec City or view a webcast of the event. Details of the webcast are available on our web site at [www.bmo.com](http://www.bmo.com).

### *Corporate Governance*

Our web site contains information on our corporate governance practices, including *FirstPrinciples* (our code of conduct), our *Code of Ethics for the CEO and Senior Financial Officers*, our *Director Independence Standards* and the Board and Committee Charters.

### *Proxy Circular*

Our proxy circular contains information on each of the directors, Board committee reports and a discussion of our corporate governance practices.

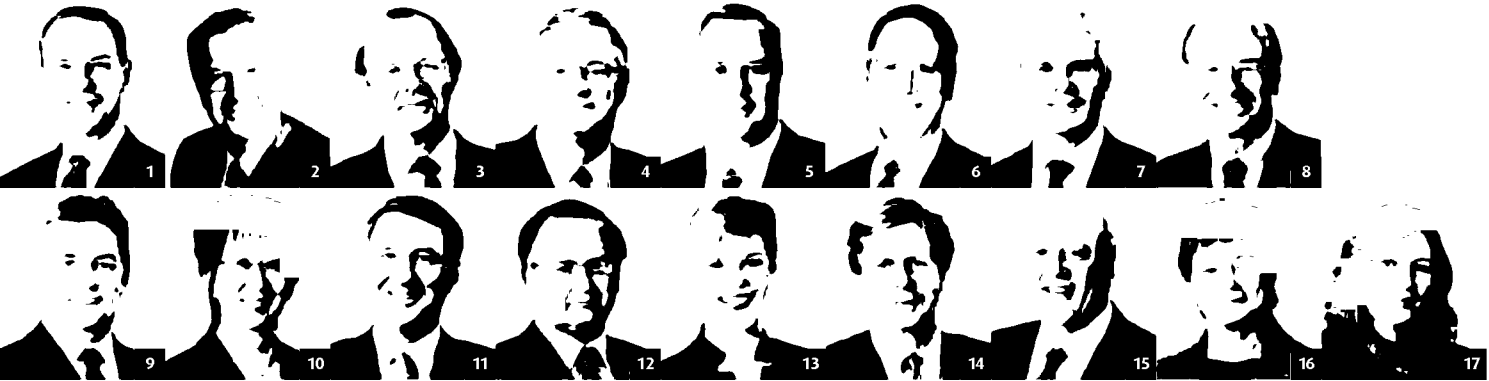
### *BMO Corporate Responsibility Report including our Public Accountability Statement*

This annual report documents our corporate citizenship activities throughout the year. The 2007 report will be released in February 2008.

### *New York Stock Exchange Governance Requirements*

A summary of the significant ways in which our corporate governance practices differ from the corporate governance practices required to be followed by U.S. domestic companies under New York Stock Exchange Listing Standards is posted on our web site.

Each of the above documents is available in print without charge to any shareholder upon request.



## Board of Directors\*

### 1 Robert M. Astley

Corporate Director and former President and Chief Executive Officer, Clarica Life Insurance Company and former President, Sun Life Financial Canada  
**Committees** Human Resources and Management Compensation, Risk Review, The Pension Fund Society of Bank of Montreal  
**Director since** 2004

### 2 Stephen E. Bachand

Corporate Director and retired President and Chief Executive Officer, Canadian Tire Corporation, Limited  
**Committees** Governance and Nominating, Human Resources and Management Compensation (Chair)  
**Other public boards** Canadian Pacific Railway Limited, George Weston Limited  
**Director since** 1999

### 3 David R. Beatty, O.B.E.

Chairman and Chief Executive Officer, Beatinvest Limited  
**Committees** Audit, Risk Review  
**Other public boards** FirstService Corporation, Husky Injection Molding Systems Ltd., Inmet Mining Corporation  
**Director since** 1992

### 4 Robert Chevrier, F.C.A.

President, Société de gestion Roche Inc.  
**Committees** Audit, The Pension Fund Society of Bank of Montreal (Chair)  
**Other public boards** Addenda Capital Inc., Cascades Inc., CGI Group Inc., Richelieu Hardware Ltd., Transcontinental Inc.  
**Director since** 2000

### 5 George A. Cope

President and Chief Operating Officer, Bell Canada  
**Committees** Risk Review  
**Other public boards** NII Holdings, Inc.  
**Director since** 2006

### 6 William A. Downe

President and Chief Executive Officer, BMO Financial Group  
**Committees** Attends all Committee meetings as an ex-officio (non-voting) member  
**Director since** 2007

### 7 Ronald H. Farmer

Managing Director, Mosaic Capital Partners  
**Committees** Audit, Human Resources and Management Compensation  
**Director since** 2003

### 8 David A. Galloway

Chairman of the Board  
**Committees** Governance and Nominating, Human Resources and Management Compensation, Risk Review. Attends Audit Committee and The Pension Fund Society of Bank of Montreal meetings as an ex-officio (non-voting) member  
**Other public boards** Cognos Incorporated, E.W. Scripps Company, Toromont Industries Ltd.  
**Director since** 1998

### 9 Harold N. Kvisle

President and Chief Executive Officer, TransCanada Corporation  
**Committees** Human Resources and Management Compensation  
**Other public boards** PrimeWest Energy Inc., TransCanada Corporation, TransCanada PipeLines Limited  
**Director since** 2005

### 10 Eva Lee Kwok

Chair and Chief Executive Officer, Amara International Investment Corp.  
**Committees** Audit  
**Other public boards** Cheung Kong Infrastructure Holdings Ltd., CK Life Sciences Int'l., (Holdings) Inc., Husky Energy Inc.  
**Director since** 1999

### 11 Bruce H. Mitchell

President and Chief Executive Officer, Permian Industries Limited  
**Committees** Governance and Nominating, Risk Review (Chair)  
**Other public boards** Garbell Holdings Limited  
**Director since** 1999

### 12 Philip S. Orsino, O.C., F.C.A.

Corporate Director  
**Committees** Audit (Chair), Governance and Nominating. Attends Risk Review Committee meetings as an ex-officio (non-voting) member  
**Other public boards** Clairvest Group Inc.  
**Director since** 1999

### 13 Dr. Martha C. Piper, O.C., O.B.C.

Corporate Director and former President, The University of British Columbia  
**Committees** Human Resources and Management Compensation  
**Other public boards** Shoppers Drug Mart Corporation, TransAlta Corporation  
**Director since** 2006

### 14 J. Robert S. Prichard, O.C., O.Ont.

President and Chief Executive Officer, Torstar Corporation  
**Committees** Governance and Nominating (Chair), Human Resources and Management Compensation  
**Other public boards** George Weston Limited, Onex Corporation, Torstar Corporation  
**Director since** 2000

### 15 Jeremy H. Reitman

President and Chief Executive Officer, Reitmans (Canada) Limited  
**Committees** Audit, Risk Review  
**Other public boards** Reitmans (Canada) Limited  
**Director since** 1987

### 16 Guylaine Saucier, C.M., F.C.A.

Corporate Director  
**Committees** Audit, The Pension Fund Society of Bank of Montreal  
**Other public boards** Areva, AXA Assurance Inc., CHC Helicopter Corporation, Petro-Canada  
**Director since** 1992

### 17 Nancy C. Southern

President and Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited  
**Committees** Risk Review, The Pension Fund Society of Bank of Montreal  
**Other public boards** Akita Drilling Ltd., ATCO Ltd., Canadian Utilities Limited  
**Director since** 1996

## Honorary Directors

**Charles F. Baird**  
Skillman, NJ, U.S.

**Ralph M. Barford**  
Toronto, ON

**Matthew W. Barrett, O.C., LL.D.**  
London, ENG

**Peter J.G. Bentley, O.C., LL.D.**  
Vancouver, BC

**Claire P. Bertrand**  
Montreal, QC

**Frederick S. Burbidge, O.C.**  
Frelighsburg, QC

**Tony Comper**  
Toronto, ON

**Pierre Côté, C.M.**  
Quebec City, QC

**C. William Daniel, O.C., LL.D.**  
Toronto, ON

**Graham R. Dawson**  
Vancouver, BC

**Louis A. Desrochers, C.M., C.R.**  
Edmonton, AB

**A. John Ellis, O.C., LL.D., O.R.S.**  
Vancouver, BC

**John F. Fraser, O.C., LL.D.**  
Winnipeg, MB

**Thomas M. Galt**  
Toronto, ON

**Richard M. Ivey, C.C., Q.C.**  
Toronto, ON

**Senator Betty Kennedy, O.C., LL.D.**  
Campbellville, ON

**J. Blair MacAulay**  
Oakville, ON

**Ronald N. Mannix, O.C.**  
Calgary, AB

**Robert H. McKercher, Q.C.**  
Saskatoon, SK

**Eric H. Molson**  
Montreal, QC

**Jerry E.A. Nickerson**  
North Sydney, NS

**Lucien G. Rolland, O.C.**  
Montreal, QC

**Joseph L. Rotman, O.C., LL.D.**  
Toronto, ON

**Mary Alice Stuart, C.M., O.Ont., LL.D.**  
Toronto, ON

\*As of October 31, 2007.

# Managing and Acting Responsibly

**Conducting our affairs ethically and with integrity. Contributing to economic well-being. Providing what is important to employees: fairness, equality, diversity and opportunity. Encouraging environmental stewardship and partnering for healthy, resilient communities. That's how we practice corporate responsibility at BMO. Why we do so is clear too. By being responsible to all whose lives are touched by our business, we ultimately do what's in the best interests of our customers, employees, shareholders and communities.**

In the following pages, we discuss three areas of corporate responsibility – employees, community and environment – that are of particular relevance to our stakeholders and our company. For a broader account of our corporate responsibility strategy and activities, please refer to our *2007 Corporate Responsibility Report and Public Accountability Statement*, to be released in February 2008.

## Our Values

**BMO's corporate values represent our core beliefs. They stand as our organizational commitment to our colleagues, customers and shareholders, and to the communities of which we are a part. They guide our actions.**

- **We care about our customers, shareholders, communities and each other.**
- **We draw our strength from the diversity of our people and our businesses.**
- **We insist upon respect for everyone and encourage all to have a voice.**
- **We keep our promises and stand accountable for our every action.**
- **We share information, learn and innovate to create consistently superior customer experiences.**

## Employees

As we pursued our strategic imperatives in 2007 – Customer, Growth and Pace – we also increased our emphasis on making sure we have the very best people in the right roles to deliver on our business goals. Our many best-in-class Human Resources practices have enabled us to achieve the highest-ever employee engagement score in our Annual Employee Survey. The score was also extraordinarily high compared to external benchmarks of other large industries surveyed. All of this contributes to our reputation as an “Employer of Choice.”

## Talent Management and Diversity

Several new initiatives were also undertaken to improve the way we select and develop our people and to improve our practices for managing performance. At a time when the war for talent has never been more challenging, our recruitment strategies have been enhanced for both quality and speed. Diversity is a key component of all our recruitment strategies to ensure we excel at fulfilling the current and evolving needs of all of our customers, in an ever-changing demographic landscape. During 2007, BMO worked in partnership with community organizations such as Jewish Vocational Service of Metropolitan Toronto, the National Education Association of Disabled Students and the Foundation for the Advancement of Aboriginal Youth (FAAY) demonstrating our commitment as an Employer of Choice. In 2008, we will continue to actively partner with community and government agencies to recruit talented people from the communities where we live, work and do business, including groups who are under-represented in our workforce. We are committed to developing new opportunities through community outreach, bursaries, scholarships and job placements to create a representative workforce that supports the attainment of our strategic imperatives.



Achieving higher performance is also dependent on the development and deployment of all employees, including managers and leaders. Accordingly, we are placing special emphasis on the early identification of emerging leaders to ensure a ready pipeline of talent for key leadership roles, while also encouraging career opportunities for development. This year we increased our emerging leader pool by 46%, which is a testament to the quality of people we have at BMO.

## Redefining our Learning Curriculum

We also began to redefine our entire learning curriculum to emphasize just-in-time training that is more customer-centred and that allows for greater access to management development opportunities. Similarly, a new senior leadership development program is underway to enable senior leaders to adapt and acquire the capabilities to achieve BMO's strategic and cultural goals to effectively lead in today's complex, competitive world.

## Environment

Climate change is one of the far-reaching challenges facing this generation and generations to come, one that has profound implications for our customers, investors, communities – and our business. At BMO, we are committed to being part of the solution, which includes managing our carbon footprint, considering the indirect impacts of our businesses and supporting the need for transparency in corporate climate change disclosure.

### Reducing Our Footprint

Our environmental sustainability office has the mandate to design, implement and maintain a sustainable enterprise-wide Environmental Management System that reduces the direct

impact of BMO's operational footprint on the environment and raises awareness within the organization. Some examples of our efforts in 2007 follow.

### Green Energy

In September 2007, we signed a three-year agreement with Bullfrog Power, a green electricity retailer that markets energy from clean, renewable sources like wind power and low-impact water power, to purchase 5,000 megawatt hours of emission-free electricity annually. Up to 53 branches in Ontario and Alberta will

be bullfrogpowered™, including our flagship branches at First Canadian Place® in Toronto and First Canadian Centre® in Calgary. As a result, we will reduce our overall carbon emissions by more than 3,000 tonnes per year. With this investment, BMO becomes the leading financial services institution on the bullfrogpowered green index.

**bullfrogpower**  
CLEAN. RELIABLE. RENEWABLE.

## Aligning and Coaching for Performance

Satisfied employees are those who know what is expected of them and are given constructive feedback on their performance. This year we made great strides in aligning performance targets from the operating groups through to the business units and through to the individual level. For all employees, this is providing clarity around how their objectives fit with the larger priorities of the company. In addition, we are launching a new learning tool to advance our managers' coaching and feedback capabilities.

When it comes to attracting the very best people to our company, retaining top performers, and ensuring high levels of employee engagement, BMO Financial Group is a leader and is well positioned for the future.



### Building Green Branches

In 2007, we committed to build three branches in Canada and one in the United States, for certification under the Canadian and U.S. green building councils' Leadership in Energy and Environmental Design (LEED) rating system. LEED certification covers the design, construction and operation of green buildings and will enable us to measure a building's performance in areas such as water savings, energy efficiency, materials selection and indoor air quality. We expect energy savings in excess of 45% at each participating branch. That's good for the environment and for our business.

### Sustainable Procurement

As we grow our business, we want to buy goods and services from environmentally responsible suppliers. Recently, we introduced a more comprehensive sustainable procurement practice designed to include environmental and social considerations into the process for evaluating and selecting BMO suppliers, enterprise-wide.



### The World Beyond

We recognize that there is an environmental impact associated with the businesses that we engage in. We recently benchmarked our response to climate change risks and opportunities against those of other financial services institutions recognized for best practices in this area. We are using this information to shape our strategic plans. Additionally, we collaborated with other financial services institutions in a study that examines the role of the financial services sector in protecting and conserving Canada's boreal forest.

Through our ongoing affiliation with global environmental organizations, such as the *United Nations Environment Programme*, we continue to contribute to the discussion and use the knowledge we gain to enhance our own environmental management practices while promoting environmental sustainability globally.

## BMO in the Community

When communities thrive, life is better for our customers, our employees – and our business. That's why we are committed to improving the quality of life in our neighbourhoods and towns. In 2007, BMO, one of Canada's top corporate donors, contributed \$50.4 million in donations, sponsorships and events in Canada and the United States to groups, organizations and programs that help build and sustain resilient, vital and healthy communities.

### Promoting Learning

Learning is crucial to the success of our society and our company. Our passion for encouraging the pursuit of knowledge once again led us to direct a significant portion of our contribution dollars to programs that promote education. We announced a \$500,000 donation to The University of British Columbia's Sauder School of Business. Sauder is one of the country's foremost research-based schools and an internationally recognized leader in creating business knowledge.

In Central Canada, we pledged \$500,000 to establish the BMO Financial Group Graduate Scholarship Fund at Wilfrid Laurier University in Waterloo, Ontario. We also pledged \$2.5 million to develop the BMO Auditorium in the new John Molson School of Business at Concordia University in Montreal.



### Supporting Good Health

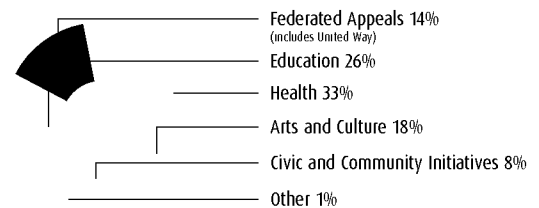
Good health and wellness are critically important to our stakeholders – and hallmarks of a caring, responsible society. We focused on enhancing regional health care in communities where we operate. We pledged \$400,000 over five years to over 80 health care facilities that make up The Eastern Regional Health Authority in Newfoundland and Labrador and \$750,000 over five years to University Hospitals Kingston Foundation's three hospitals in Kingston, Ontario.



### BMO Employee Charitable Foundation

Our employees share our passion for supporting their communities and BMO supports a culture of volunteerism. In May, BMO Employee Charitable Foundation (formerly BMO Fountain of Hope) hosted a Celebration of Giving at which \$1.3 million was distributed to 50 Greater Toronto Area charitable organizations. Since 2000, when BMO Employee Charitable Foundation became a national organization with BMO funding its administration, employees and pensioned employees have raised more than \$50 million to help those in need in the communities where they live and work across Canada. In 2007, our employees raised a total of \$8 million.

### Donations: Where the Money Goes (2007)



In 2007, we contributed \$50.4 million in corporate donations, sponsorships and events, supporting communities and thousands of charities and not-for-profit organizations in Canada and the United States.

### Partnering in Sports

Athletics at every level improves health and well-being. It also inspires understanding and tolerance, and celebrates cultural diversity. That's the goal of BMO's support of soccer – *the beautiful game* enjoyed by millions of people around the globe. 2007 marked the official opening of BMO Field™ in Toronto, the new 20,000-seat stadium that is home to Major League Soccer's Toronto FC and the Canadian National Soccer Team. It also saw the launch of our partnership with the Canadian Soccer Association to support grassroots soccer for young people – one way for us to give back to our customers from diverse backgrounds in communities across the country.

Our support of grassroots skating also made news this year. At its annual awards ceremony in March, Canadian Sports Award presented BMO with its Canadian Sports Award for Corporate Excellence – National Initiative Support in recognition of our sponsorship of Skate Canada's CanSkate<sup>®3</sup> program.

### Contributing to Arts and Culture

Art has the power to transform and inspires our souls and our dreams. As individuals and as a society, art makes us better. BMO continued to be one of Canada's most active supporters of arts and cultural organizations in 2007. Our contribution included \$450,000 for The Banff Centre for Continuing Education. Alberta's – and Canada's – internationally celebrated learning and cultural institution draws more than 7,000 creative artists and thinkers to its doors annually.

### Encouraging Community Development

At BMO, we are proud to partner with organizations that encourage tolerant and caring communities. Last year, we reaffirmed our long-standing commitment to Kids Help Phone<sup>®4</sup>, Canada's only toll-free, bilingual anonymous counseling, referral and information service for children and youth. Our \$2 million donation over five years will help the organization triple the number of times it can respond to children and keep up with the way young people are communicating today.

### A Tradition of Helping

Helping to strengthen local communities is a tradition in our U.S. operations. Last October 10th in Chicago, hundreds of our employees picked up paintbrushes, brooms and hammers to assist local organizations and launch the Harris and BMO Capital Markets United Way annual giving campaign. Harris, which celebrated its 125th anniversary this year, has long been an active and generous supporter of the 75-year-old United Way of Metropolitan Chicago.



# Management's Discussion and Analysis

BMO's President & Chief Executive Officer and Executive Vice-President Finance and Treasurer and Acting Chief Financial Officer have signed a statement outlining management's responsibility for financial information in this Annual Report. The statement, which can be found on page 90, also explains the roles of the Audit Committee and Board of Directors in respect of financial information in the Annual Report.

Management's Discussion and Analysis (MD&A) comments on BMO's operations and financial condition for the years ended October 31, 2007 and 2006. The MD&A should be read in conjunction with our consolidated financial statements for the year ended October 31, 2007. The MD&A commentary is as of November 27, 2007, except for peer group comparisons, which are as of December 6, 2007. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Certain prior year data has been reclassified to conform with the current year's presentation, including reclassifications arising from transfers of certain businesses between operating groups.

## Index

- 23 Who We Are** provides an overview of BMO Financial Group, outlines our 2007 and 2008 targets, explains the links between our annual targets and our overall vision and presents key performance data to help answer the question "Why invest in BMO?"
- 24 Financial Performance and Condition at a Glance** provides a snapshot of our results on 11 key financial performance and condition measures used by management to monitor performance relative to our peer groups.
- 27 Enterprise-Wide Strategy** outlines our enterprise-wide strategy and the context in which it is developed, as well as our progress in relation to our strategic priorities.
- 28 Caution Regarding Forward-Looking Statements** warns readers about the limitations and inherent risks and uncertainties of forward-looking information.
- 28 Factors That May Affect Future Results** outlines certain industry and company-specific factors that investors should consider when assessing BMO's earnings prospects.
- 30 Economic Developments** includes commentary on the impact of economic developments on our businesses in 2007 and expectations for the Canadian and U.S. economies in 2008.
- Value Measures** reviews financial performance on the four key measures that assess or most directly influence shareholder return.
- 31** Total Shareholder Return  
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**33** Return on Equity  
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- 34 2007 Financial Performance Review** provides a detailed review of BMO's consolidated financial performance by major income statement category. It also includes explanations of the use of non-GAAP measures and the impacts of business acquisitions and sales and changes in foreign exchange rates.

**Operating Group Review** outlines the visions and strategies of our operating groups and the major business risks they face, along with their strengths, competencies and key performance drivers. It also includes a summary of their achievements in 2007, their priorities for 2008 and a review of their financial performance for the year.

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**Financial Condition Review** discusses our assets and liabilities by major balance sheet category. It reviews our capital adequacy and our approach to ensuring we optimize our capital position to support our business strategies and maximize returns to our shareholders. It also discusses off-balance sheet arrangements and financial instruments.

- 55** Summary Balance Sheet  
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**Accounting Matters and Disclosure and Internal Control** reviews critical accounting estimates and changes in accounting policies in 2007 and for future periods. It also discusses our evaluation of disclosure controls and procedures and internal control over financial reporting.

- 61** Critical Accounting Estimates  
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**65 Enterprise-Wide Risk Management** outlines our approach to managing the key financial risks and other related risks we face.

**74 Review of Fourth Quarter Performance, Quarterly Earnings Trends and 2006 Financial Performance Review** provide commentary on results for relevant periods other than fiscal 2007.

**78 Supplemental Information** presents many useful financial tables and provides more historical detail.

## Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A, audited consolidated financial statements, Annual Information Form and Notice of Annual Meeting of Shareholders & Proxy Circular, are available on our web site at [www.bmo.com](http://www.bmo.com), on the Canadian Securities Administrators' web site at [www.sedar.com](http://www.sedar.com) and on the EDGAR section of the SEC's web site at [www.sec.gov](http://www.sec.gov). BMO's President and Chief Executive Officer and Executive Vice-President Finance and Treasurer and Acting Chief Financial Officer each certify the appropriateness and fairness of BMO's annual and interim consolidated financial statements and MD&A and Annual Information Form, and the effectiveness of BMO's disclosure controls and procedures and internal control over financial reporting.

# Who We Are

Established in 1817 as Bank of Montreal, BMO Financial Group is a highly diversified North American financial services provider. With total assets of \$367 billion and almost 36,000 employees, BMO provides a broad range of retail banking, wealth management and investment banking products and solutions. We serve clients across Canada through our Canadian retail arm, BMO Bank of Montreal, and through our wealth management businesses, BMO Nesbitt Burns, BMO InvestorLine and BMO Harris Private Banking. BMO Capital Markets, our North American investment and corporate banking division, provides a full suite of financial products and services to our North American and international clients. In the United States, BMO serves clients through Chicago-based Harris, an integrated financial services organization that provides more than one million personal and business clients with banking and investment services. BMO Financial Group comprises three operating groups: Personal and Commercial Banking, Private Client Group and BMO Capital Markets.

## Our Financial Targets

BMO's overall governing objective and annual targets for selected important financial performance measures are set out in the adjacent chart. Although our success in achieving our governing objective of delivering first-quartile total shareholder return is dependent on the relative performance of our peer groups, we believe that we will deliver first-quartile total shareholder return by meeting our medium-term financial objectives of increasing EPS by an average of at least 10% per year over time and by earning an average annual ROE of 18% to 20% over time. Annual financial targets represent checkpoints in our progress toward the achievement of our medium-term objectives, but they also reflect economic conditions prevailing at the time and may be influenced by results in base years used for comparison purposes. As such, in any particular year our annual financial targets may be higher or lower than our medium-term financial objectives.

Our operating philosophy is to increase revenues at rates higher than general economic growth rates, while limiting expense growth to achieve average annual operating leverage (defined as the difference between the revenue and cash-based expense growth rates) of at least 2% over time. In managing our operations, we balance current profitability with the need to invest for future growth.

In 2007, we achieved one of our four financial targets. Specific provisions for credit losses were \$303 million, better than the \$400 million target established at the beginning of the year and in line with the \$300 million estimate we provided following the second quarter. As outlined in the adjoining table, we achieved all of our financial targets excluding the impact of significant items, which are itemized on page 32. In 2006, as in 2005, we achieved four of our five financial targets, as our productivity improvement fell short of our target in both years. Our targets for 2008 reflect earnings momentum and solid growth across all our businesses. They have been established in the context of our 2007 results and expectations for the economy in the year ahead, as detailed on page 30.

### Why Invest in BMO?

As at or for the periods ended October 31, 2007 (%)	1-year	5-year	10-year
Compound annual total shareholder return	(5.8)	14.2	11.0
Compound growth in annual EPS			
– Reported	(20.2)	8.9	6.1
– Excluding significant items*	10.8	16.1	9.5
Average annual ROE			
– Reported	14.4	17.6	16.3
– Excluding significant items*	19.8	18.7	16.8
Compound growth in annual dividends declared per share	19.9	17.7	12.7
Dividend yield at October 31, 2007	4.4	na	na
Price-to-earnings multiple	15.3	na	na
Market value/book value (per share)	2.23	na	na
Dividend payout ratio			
– Reported	64.8	na	na
– Excluding significant items*	47.3	na	na
Tier 1 Capital Ratio	9.51	na	na

\*Non-GAAP measures. See page 34.  
na – not applicable

#### Our Vision

To be the top-performing financial services company in North America.

#### Our Governing Objective

To maximize the total return to BMO shareholders and generate, over time, first-quartile total shareholder return relative to our Canadian and North American peer groups.

#### Our Medium-Term Financial Objectives

Over time, increase EPS by a minimum of 10% per year, earn average annual ROE of between 18% and 20%, achieve average annual operating leverage of at least 2%, and maintain a strong regulatory capital position, consistent with our peers.

2007 Financial Targets <sup>(1)</sup>	2007 Financial Performance		2008 Financial Targets <sup>(3)</sup>
	On a Basis Consistent with Our Targets <sup>(1)</sup>	Excluding Significant Items <sup>(2)</sup>	
• 5% to 10% EPS growth from a base of \$5.11	• EPS growth of -14.3%, on this basis, from \$5.11 to \$4.38	• EPS growth of 10.8%, on this basis, from \$5.11 to \$5.66	• 10% to 15% EPS growth from a base of \$5.24
• ROE of 18% to 20%	• ROE of 15.3%	• ROE of 19.8%	• ROE of 18% to 20%
• Specific provision for credit losses of \$400 million or less	• Specific provision for credit losses of \$303 million	• Specific provision for credit losses of \$303 million	• Specific provision for credit losses of \$475 million or less
	• Tier 1 Capital Ratio of 9.51% <sup>(4)</sup>	• Tier 1 Capital Ratio of 9.51% <sup>(4)</sup>	• Tier 1 Capital Ratio of at least 8.0%
• Improve cash productivity ratio by 100 to 150 bps	• Cash productivity ratio deteriorated by 473 bps	• Cash productivity ratio improved by 150 bps	• Achieve operating leverage <sup>(5)</sup> of at least 2%

- (1) Our 2007 targets and performance measured on a basis consistent with our targets exclude the impact of changes in the general allowance for credit losses and restructuring charges.
- (2) Results excluding significant items further adjusts results to exclude the impact of commodities losses and charges related to deterioration in capital markets. Significant items are itemized on page 32.
- (3) The base for our 2008 EPS and operating leverage targets excludes the impact of changes in the general allowance, restructuring charges and commodities losses.
- (4) Our policy was to maintain a Tier 1 Capital Ratio of at least 8.0%. It was not a financial target in 2007.
- (5) Operating leverage is the difference between the revenue and cash-based expense growth rates.

The data above are non-GAAP measures. Please see the Non-GAAP Measures section on page 34.

The adjacent Our Financial Targets section contains certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 28 of this Annual Report for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.

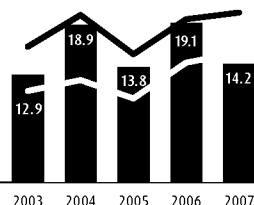
# Financial Performance and Condition at a Glance

## Our Performance (Note 1)

### Total Shareholder Return (TSR)

- BMO shareholders have earned an average annual return of 14.2% over the past five years.
- The one-year TSR in 2007 was -5.8%, compared with a top-tier return of 24.1% in 2006.
- BMO's one-year TSR was 20% or higher in three of the past five years.

Further details are provided on page 31.



## Peer Group Performance

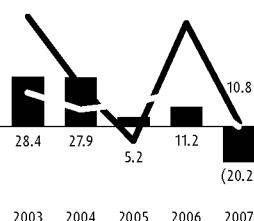
### Five-Year TSR (%)

- The Canadian peer group average annual five-year TSR was 20.4%, up slightly from a year ago.
- The Canadian peer group average one-year TSR was 8.0%.
- The North American peer group average annual five-year TSR was 15.6%.

### Earnings per Share (EPS) Growth

- EPS fell 20.2% to \$4.11 in 2007, after having grown to record levels for four straight years.
- Excluding the impact of significant items, EPS rose 10.8% to \$5.66, primarily due to improved revenues from business growth.
- Personal and Commercial Banking and Private Client Group each earned record net income for the third consecutive year.

Further details are provided on page 32.



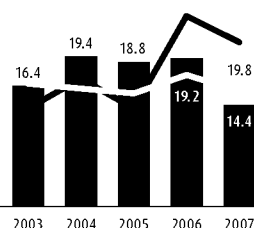
### EPS Growth (%)

- Canadian peer group EPS grew by an average of 2.2%.
- Excluding the impact of significant items, Canadian peer group EPS grew by an average of 18.7%. The increase reflected an average operating leverage of 5.0%, supported by a lower effective tax rate, partially offset by increased provisions for credit losses.
- North American peer group EPS was unchanged on average from a year ago, but grew by an average of 4.5% excluding the impact of significant items.

### Return on Equity (ROE)

- ROE was 14.4% in a difficult year, reflecting the core strengths and benefits of our diversified businesses.
- ROE has exceeded 13% for 18 consecutive years, distinguishing BMO as the only bank in its North American peer group with this level of earnings consistency.
- Excluding the impact of significant items, ROE was 19.8%.

Further details are provided on page 33.



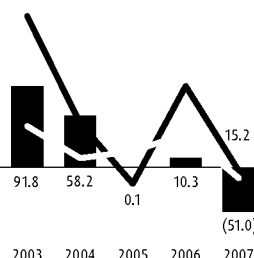
### ROE (%)

- The Canadian peer group average ROE was 21.1%.
- Excluding the impact of significant items, the peer group average ROE was 22.0%.
- The North American peer group average ROE was 15.8% both on a reported basis and on a basis that excludes the impact of significant items.

### Net Economic Profit (NEP) Growth

- NEP, a measure of added economic value, fell to \$603 million from a record \$1,230 million in the prior year.
- Excluding the impact of significant items, NEP grew to \$1,390 million, supported by record earnings in P&C Canada and Private Client Group as well as strong results in BMO Capital Markets.

Further details are provided on page 33.



### NEP Growth (%)

- Canadian peer group NEP grew by an average of -4.3%, reflecting weak EPS growth of certain members of the peer group.
- Excluding the impact of significant items, peer group NEP grew on average by 25.0% with major contributions from Canadian retail banking and wealth management as well as wholesale banking.
- North American peer group NEP grew by an average of -12.8% on a reported basis and by -4.5% excluding the impact of significant items. Canadian peer group NEP growth for 2003 (3,112%) is not to scale.

**Note 1. Results stated on a cash basis and on a basis that excludes the impact of significant items are non-GAAP measures. Revenue and income taxes are reported in the MD&A on a taxable equivalent basis, which is also a non-GAAP basis of reporting. Please see page 34 for a discussion of the use of non-GAAP measures.**

■ BMO Financial Group, reported  
■ BMO Financial Group, excluding significant items. See page 32.  
— Canadian peer group average  
— North American peer group average

Certain BMO and peer group prior year data has been restated to conform with the current year's basis of presentation.

Results are as at or for the years ended October 31 for Canadian banks and as at or for the years ended September 30 for U.S. banks, as appropriate.



**Our Performance** (Note 1)**Revenue Growth**

- Revenue decreased \$583 million or 5.8% in 2007.
- Excluding the impact of significant items, revenue increased \$588 million or 5.8%, supported by revenue growth in all operating groups.

Further details are provided on page 36.

**Productivity Ratio (Expense-to-Revenue Ratio)**

- The productivity ratio was 69.3%.
- Excluding the impact of significant items, the productivity ratio improved by 150 basis points to 61.3% and the cash productivity ratio improved by 150 basis points to 60.9%. On this basis, cash productivity has improved by 640 basis points over the past five years.

Further details are provided on page 40.

**Credit Losses**

- The provision for credit losses (PCL) was \$353 million, comprised of \$303 million of specific provisions and a \$50 million increase in the general allowance.
- PCL as a percentage of average net loans and acceptances remains low, at 17 basis points, well below the 15-year average of 31 basis points.

Further details are provided on pages 39 and 67.

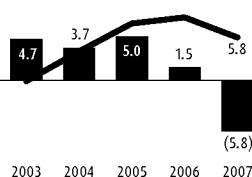
**Impaired Loans**

- Gross impaired loans and acceptances were \$720 million, up 8% from \$666 million in 2006, and represented 4.1% of equity and allowances for credit losses, compared with 3.8% a year ago.
- Formations of new impaired loans and acceptances, a key driver of provisions for credit losses, were \$588 million, up from \$420 million in 2006.

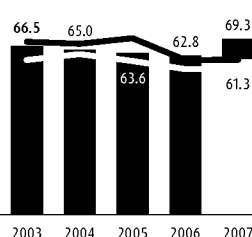
Further details are provided on pages 39 and 67.

**Peer Group Performance****Revenue Growth (%)**

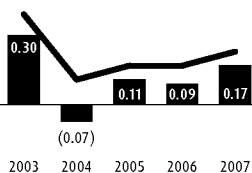
- Average revenue growth of the Canadian peer group was 4.9% on a reported basis and 9.9% excluding the impact of significant items. The major contributors to revenue growth were Canadian retail banking and wholesale banking.
- Average revenue growth of the North American peer group was 10.0% on a reported basis and 10.9% excluding the impact of significant items.

**Productivity Ratio (%)**

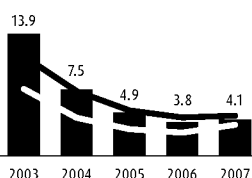
- The average productivity ratio of the Canadian peer group was 60.9%.
- Excluding the impact of significant items, the average productivity ratio of the peer group improved by 290 basis points to 59.3%, with each member of the peer group contributing to the improvement. On this basis, the average cash productivity ratio of the peer group improved by 280 basis points to 58.4%.
- The average productivity ratio of the North American peer group was 57.1% on an as reported basis and 56.7% excluding the impact of significant items.

**Provision for Credit Losses as a % of Average Net Loans and Acceptances**

- Provisions for credit losses of the Canadian peer group averaged 23 basis points of net loans and acceptances, well below the 15-year average of 45 basis points.
- Provisions for credit losses of the North American peer group averaged 76 basis points, up from 54 basis points last year.

**Gross Impaired Loans and Acceptances as a % of Equity and Allowances for Credit Losses**

- Gross impaired loans and acceptances of the Canadian peer group averaged 9% higher than in 2006, and represented 4.5% of equity and allowances for credit losses, versus 4.3% last year.
- Gross impaired loans and acceptances of the North American peer group averaged 49% higher than in 2006, and represented 3.5% of equity and allowances for credit losses, compared with 2.6% a year ago.



The Canadian peer group averages are based on the performance of Canada's six largest banks: BMO Financial Group, Canadian Imperial Bank of Commerce, National Bank of Canada, RBC Financial Group, Scotiabank and TD Bank Financial Group. The North American peer group averages are based on the performance of North America's largest banks, consisting of 15 banks in North America having shareholders' equity that is at least 75% as large as BMO's. It includes the Canadian peer group, except National Bank of Canada, as well as Bank of America Corporation, Citigroup Inc., J.P. Morgan Chase & Co., KeyCorp, National City Corporation, The PNC Financial Services Group Inc., SunTrust Banks Inc., U.S. Bancorp, Wachovia Corporation, and Wells Fargo & Company.

■ BMO Financial Group, reported  
 ■ BMO Financial Group, excluding significant items. See page 32.  
 — Canadian peer group average  
 — North American peer group average